

Annual Financial Statements

for

GREATER KOKSTAD MUNICIPALITY

for the year ended 30 June: **2010**

Province:

KwaZulu Natal

AFS rounding:

R'000 (i.e. to the nearest R100,000)

Contact Information:

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GREATER KOKSTAD MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

General information

Members of the Council

Cllr M Sithole	Mayor
Cllr N Thabethe	Deputy Mayor
Cllr MS Khutshwa	Speaker
Cllr DW Bhengu	Member of the Executive Committee
Cllr M Mathe	Member
Cllr J Mhlongo	Member
Cllr N Jojozi	Member
Cllr M White	Member
Cllr N Mavuka	Member
Cllr P Nocanda	Member
Cllr F Rodgers	Member

Municipal Manager

Mr A. Nkosi

Chief Financial Officer

Mr L. Ndzelu

Grading of Local Authority

7

Auditors

Auditor-General

Bankers

First national Bank

GREATER KOKSTAD MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information (continued)

Registered Office: 75 Hope Street, Kokstad, 4700

Physical address:
75 Hope Street
Kokstad
4700

Postal address:
PO Box 08
Kokstad
4700

Telephone number: 039-7976600/10

Fax number: 039-7273676

E-mail address: municipality@kokstad.org.za

GREATER KOKSTAD MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 46, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements have been prepared in accordance with Standard of Generally Recognised Accounting Practices (GRAP)

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I have reviewed the Municipality's cash flow forecast for the year 30 June 2011 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2010.

Municipal Manager:
MA NKOSI
DATE:31 AUGUST 2010

GREATER KOKSTAD MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

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GREATER KOKSTAD MUNICIPALITY STATEMENT OF FINANCIAL POSITION as at 30 June 2010			
	Note	2010	2009 RESTATED
ASSETS			
Current assets			
Cash and cash equivalents	1	5 696 529	(271 181)
Trade and other receivables from exchange transactions	2	24 285 660	19 677 213
Other receivables from non-exchange transactions	3	1 172 400	1 095 484
Inventories	4	346 792	276 483
Prepayments	5	345 931	5 465 059
VAT receivable	12	1 953 275	15 488 618
Non-current assets			
Property, plant and equipment	7	35 188 363	7 556 626
Intangible assets	8	877 802	
Investment property carried at cost	9	16 126 000	16 126 000
Total assets		85 992 751	65 414 302
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	10	22 289 343	16 723 888
Consumer deposits	11	2 782 873	2 337 644
Current provisions	13	627 220	718 304
Unspent conditional grants and receipts	14	2 239 270	2 836 424
Current portion of borrowings	15	3 914 897	3 207 593
Current portion of finance lease liability	16	707 299	1 013 049
Non-current liabilities			
Non-current borrowings	15	4 078 299	7 993 198
Non-current finance lease liability	16	431 486	955 720
Non-current provisions	17	5 302 000	4 733 544
Defined benefit plan obligations	45	8 993 954	8 380 957
Total liabilities		51 366 640	48 900 321
Net assets		34 626 111	16 513 981
NET ASSETS			
Accumulated surplus / (deficit)		34 626 111	16 513 981
Total net assets		34 626 111	16 513 981

GREATER KOKSTAD MUNICIPALITY STATEMENT OF FINANCIAL PERFORMANCE for the year ending 30 June 2010			
	Note	2010	2009 RESTATED
Revenue			
Property rates	18	76 237 022	38 622 723
Property rates - penalties imposed and collection charges	18	5 265 387	3 317 855
Service charges	19	79 931 341	63 222 799
Rental of facilities and equipment	20	635 208	135 103
Interest earned - external investments	21	439 448	619 664
Interest earned - outstanding receivables	22	666	106 639
Fines		4 128 637	3 156 627
Licences and permits		773 225	877 220
Government grants and subsidies	23	48 707 285	26 556 962
Total revenue		216 118 220	136 615 592
Expenses			
Employee related costs	24	57 007 067	45 481 906
Remuneration of councillors	25	2 951 662	2 804 691
Bad debts		18 393 953	2 849 171
Collection costs		660 053	341 866
Depreciation and amortisation expense	26	3 865 447	2 497 647
Repairs and maintenance		582 173	556 753
Finance costs	27	1 417 726	2 265 909
Bulk purchases	28	33 586 326	25 222 410
Grants and subsidies paid	29	40 000	37 000
General expenses	30	86 555 672	62 756 870
Total expenses		205 060 079	144 814 224
Gain / (loss) on sale of assets	31	565 694	-
Surplus / (deficit) for the period		11 623 834	(8 198 632)

GREATER KOKSTAD MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2010

		Revaluation Reserve	Other reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
	Note				
Balance at 30 June 2009		-	-	(24 511 264)	(24 511 264)
Changes in accounting policy	35	5 991 000	-	43 232 876	49 223 876
Surplus / (deficit) for the period				(8 198 632)	(8 198 632)
Restated Balance as 2009		5 991 000	-	10 522 981	16 513 981
Prior year adjustments				2 632 660	2 632 660
Transfers to accumulated surplus/(deficit)	36			3 855 636	3 855 636
Surplus / (deficit) for the period				11 623 834	11 623 834
Balance at 30 June 2010		5 991 000	-	28 635 111	34 626 111

GREATER KOKSTAD MUNICIPALITY			
CASH FLOW STATEMENT			
as at 30 June 2010			
	Note	2010	2009 RESTATED
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		238 721 081	157 558 668.24
Taxation		10 421 292	-
Sales of goods and services		146 908 248	113 943 725
Grants		48 902 411	26 556 962
Interest received		440 114	726 303
Other receipts		32 049 016	16 331 679
Payments		187 425 918	142 517 015
Employee costs		59 958 729	48 286 597
Suppliers		33 586 359	25 222 410
Interest paid		1 417 726	2 265 909
Other payments		92 463 104	66 742 098
Net cash flows from operating activities	32	51 295 163	15 041 654
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(41 859 103)	(14 353 296)
Proceeds from sale of Property, Plant and Equipment		682 022	-
Net cash flows from investing activities		(41 177 081)	(14 353 296)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		(3 207 594)	(3 713 082)
Proceeds from finance lease liability		-	-
Repayment of finance lease liability		(942 777)	-
Net cash flows from financing activities		(4 150 371)	(3 713 082)
Net increase / (decrease) in net cash and cash equivalents		5 967 711	(3 024 724)
Net cash and cash equivalents at beginning of period		(271 181)	2 753 543
Net cash and cash equivalents at end of period	33	5 696 530	(271 181)

GREATER KOKSTAD MUNICIPALITY
ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2010

1 BASIS OF ACCOUNTING

BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

GRAP 1 Presentation of Annual Financial Statements
GRAP 2 Cash Flow Statement
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Separate Financial Statements
GRAP 7 Investments in Associates
GRAP 8 Investments in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Contraction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 16 Investment Properties
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
GRAP 101 Agriculture
GRAP 102 Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on Generally Recognised Accounting Practice (GRAP) including any such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 and Directive 5 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions have been granted are disclosed below.

1.1 Presentation currency

The annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The figures to the annual financial statements are rounded to the nearest rand.

1.2 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non-Cash-generating-assets-issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions - issued February 2008
GRAP 24 Presentation of Budget Information - issued November 2007
GRAP 26 Impairment of Cash-generating-assets-issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 25 Employee Benefits - effective 1 January 2009
GRAP 104 Financial Instruments
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

1.4 Change in accounting policies and comparability

Accounting policies have been consistently applied, except where otherwise indicated below:

The details of any resulting changes in accounting policy and comparative restatements are given in Notes 35 to the Annual Financial Statements. to the Annual Financial Statements.

The Municipality changes an account policy only if the following instances:

- (a) is required by Standard GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow. The details of any changes in accounting policies and comparative restatements are explained in the relevant

1.5 Property, plant and equipment

1.5.1 Initial recognition

Property, plant and equipment are tangible non-current assets (include infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purpose, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other cost attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by Municipality. Trade discount and rebates are deducted in the arriving at the cost. The cost also include the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Where an assets is acquired by the Municipality for no or nominal consideration(i.e a non exchange transaction) transactions) the cost is deemed to be equal to the fair value of that asset on the date acquired. Major spare part and servicing equipment qualify as property, plant and equipment when Municipality expects to use them during more than one period. Similarly if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment they are accounted for as property, plant and equipment.

1.5.2 Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaces and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.5.3 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The annual depreciated rates are based on the following estimates average asset lives:

Buildings	25 years	Other	
		Buildings	25 years
Infrastructure		Emergency equipment	5 years
Roads and Paving	20 years	Motor vehicles	5-7 years
Bridges	30 years	Office equipment	5 years
Storm water	15 years	Furniture and fittings	5 years
Gravel	20 years	Bins and containers	5 years
Substations and Transformers	40 years	Plant and equipment	5-7 years
Poles, Cables and Lights	15-25 years	Other	5 years
Robots	10 years		
Community		Landfill sites	15 years
Buildings	25 years	Computer equipment	3-5 years
Recreational Facilities	5 years		
Security system	5 years		
Dams	5-15 years		
Libraries	15-20 years		
Parks and gardens	15 years		
Cemeteries	15-20 years		
Community centres	5-20 years		
Heritage assets			
Buildings	25 years		
Finance lease assets			
Office equipment	4 years		
Other assets			

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount or recoverable service amount, it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Items of Property, Plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP1 Presentation of Financial Statements-paragraphs 7-8A
GRAP9 Revenue from Exchange Transactions-paragraph 37-38
GRAP13 Leases-paragraphs 55-60
GRAP17 Property, Plant and Equipment- paragraph 73-83
GRAP19 Provisions, Contingent Liabilities and Contingent Assets-paragraph 93-94E
GRAP102 Intangible Assets-paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant & equipment was acquired through a transfer of functions, the municipality is not required to measure that property plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the standard, whichever is later. The municipality acquired a transfers) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as as disclosed in 7. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessment will not be considered

1.6 Investment property

1.6.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self -constructed investment property is the cost at date of completion.

1.6.2 Subsequent measurement-cost model

Investment Property is measured using the cost model and a revaluation will be performed once every five years. Under the cost model, investment property is carried at its depreciated revalued amount less impairments at the reporting date. Any gain or loss arising from the revaluation is included in revaluation reserve the reporting date. Any gain or loss arising from the revaluation is included in revaluation reserve.

The Municipality changed its Accounting policy for investment property in 2010. The change in the accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standard Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP1 Presentation of Financial Statements-paragraphs 7-8A
GRAP9 Revenue from Exchange Transactions-paragraph 37-38
GRAP13 Leases-paragraphs 55-60
GRAP17 Property, Plant and Equipment- paragraph 73-83
GRAP19 Provisions, Contingent Liabilities and Contingent Assets-paragraph 93-94E
GRAP102 Intangible Assets-paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the Municipality is not required to measure that intangible asset for a period of three years from the effective date of the transfer of functions or the effective date of the standard, whichever is later. The transitional provision expires on 30 June 2012

Due to impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

1.7 Intangible assets

1.7.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.7.2 Subsequent measurement-cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.7.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3-5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standard Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP1	Presentation of Financial Statements-paragraphs 7-8A
GRAP9	Revenue from Exchange Transactions-paragraph 37-38
GRAP13	Leases-paragraphs 55-60
GRAP17	Property, Plant and Equipment- paragraph 73-83
GRAP19	Provisions, Contingent Liabilities and Contingent Assets-paragraph 93-94E
GRAP102	Intangible Assets-paragraph110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the standard, whichever is later. The transitional provision expires on 30 June 2012. Due to impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and amortisation assessment will not be considered.

1.8 Non current Assets held for sale

1.8.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.8.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Value added tax

The Municipality account for Value Added Tax on the payments basis. This means that VAT is declared to South African Revenue Services as input or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payments has not been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

1.10 Leases

1.10.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

The Municipality changed its Accounting policy for leases in 2010. The change in the accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standard Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP1 Presentation of Financial Statements-paragraphs 7-8A
GRAP9 Revenue from Exchange Transactions-paragraph 37-38
GRAP13 Leases-paragraphs 55-60
GRAP16 Investment property-paragraphs 63-70
GRAP17 Property, Plant and Equipment- paragraph 73-83
GRAP19 Provisions, Contingent Liabilities and Contingent Assets-paragraph 93-94E
GRAP102 Intangible Assets-paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where leasehold asset was acquired through a transfer of functions, the municipality is not required to measure the leasehold asset for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessment will not be considered.

1.10.2 Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.11 Revenue recognition

1.11.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

1.11.2 Revenue from non-exchange transactions

Revenue from non-exchange transaction refers to a transaction where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines constitute both sport fines and summonses. Revenue from sport fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualify for recognition and first become available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualify for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.11.3 Grants, transfer and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.12 Inventories

1.12.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.12.2 Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The basis of allocating cost to inventory items is the weighted average method.

1.12 Financial instruments

1.8.1 Initial recognition

Financial instruments are initially recognised at fair value.

1.8.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.8.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.8.2.2 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.8.2.3 Financial Liabilities: account payable

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities and are held at cost, as their cost approximates its fair value

1.8.2.4 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.13 Conditional Grant and receipts

Unutilised condition grant are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grant and subsidies.

1.14 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned
- the principal locations affected
- the location, function approximate number of employees who will be compensated for terminating their services
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.16 Employee Benefits

1.16.1 Retirement Benefits

The municipality provides retirement benefits for its employees and councillor. Contributions are made to South African Local Authority Pension Fund and to the Natal Joint Provided Fund NJPF to fund the obligation for the payment of retirement benefits in accordance with the rules of the defined contribution funds it administers. Contributions are recognised as an expense in the statement of financial Performance.

Contribution to the South African Local authority Pension Fund (SALA) and made as follow

62 members
Members-8.6%
Council-20.78%

Contribution to the Natal Joint Provided Fund (NJPF) and are made as follows

Provident 1.-1 Member-5% Council-13.65%
Provident 2.-2 Members-7% Council-18%
Provident 3.-5 Members-79.25% Council-18%

Retirement
60 Members
Council-29%

Superannuation
56 Members
Member-9.25%
Council-25%

Councillors-28.75%
10 Members
Member 13.75%
Member 15%

1.16.2 Medical Aid: Continued Members

The Municipality provides pos-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the municipality is associated, a member (subject to applicable conditions of services) on retirement is entitled to remain a continued member of such medical fund in which case the member is liable for the portion as determined by Council from time to time of the medical aid membership fee and the municipality for the remaining portion. These contributions are charges to the Statement of Financial Performance when paid.

1.17 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Impairment of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

The Municipality changed its Accounting policy for investment property in 2010. The change in the accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standard Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP1 Presentation of Financial Statements-paragraphs 7-8A
GRAP9 Revenue from Exchange Transactions-paragraph 37-38
GRAP13 Leases-paragraphs 55-60
GRAP17 Property, Plant and Equipment- paragraph 73-83
GRAP19 Provisions, Contingent Liabilities and Contingent Assets-paragraph 93-94E
GRAP102 Intangible Assets-paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where leasehold asset was acquired through a transfer of functions, the municipality is not required to measure that leasehold asset for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessment will not be considered.

1.21 Transitional Provisions

Greater Kokstad Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP1 Presentation of Financial Statements-paragraphs 7-8A
GRAP9 Revenue from Exchange Transactions-paragraph 37-38
GRAP12 Inventories - paragraph 45-52
GRAP13 Leases-paragraphs 55-60
GRAP16 Investment property - paragraph 63-70
GRAP17 Property, Plant and Equipment- paragraph 73-83
GRAP19 Provisions, Contingent Liabilities and Contingent Assets-paragraph 93-94E
GRAP102 Intangible Assets-paragraph110-118

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand	14 104	5 105
Cash at bank	2 092 335	-
Bank Balances and Cash	2 106 439	5 105
Bank overdraft	-	4 558 971
Call Investment deposits	3 590 090	4 282 685
	5 696 529	(271 181)

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank - Kokstad: Account Number 52720024258

Cash book balance at beginning of year	(4 558 971)	2 755 720
Cash book balance at end of year	2 092 335	(4 558 971)
Bank statement balance at beginning of year	935 380	2 609 262
Bank statement balance at end of year	1 941 886	935 380

Cash on hand

Total cash and cash equivalents	2 092 335	-
Total bank overdraft	-	4 558 971

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables
as at 30 June 2010

Service debtors

Rates	25 649 240	-12 552 444	13 096 796
Electricity	6 900 516	-3 377 033	3 523 483
Fire Levy	985 476	-482 281	503 195
Refuse	14 026 685	-6 864 499	7 162 186
Total	47 561 917	(23 276 257)	24 285 660

as at 30 June 2009

Service debtors

Rates	21 497 981	(11 202 745)	10 295 236
Electricity	5 754 380	(2 998 647)	2 755 733
Fire Levy	902 408	(470 251)	432 157
Refuse	12 934 175	(6 740 087)	6 194 088
Total	41 088 943	(21 411 730)	19 677 213

Rates: Ageing

Current (0 – 30 days)

31 - 60 Days	4 077 930	903 936
61 - 90 Days	1 389 886	632 826
91 - 120 Days	956 128	602 670
121 - 365 Days	986 641	468 454
+ 365 Days	18 238 655	18 890 094
Total	25 649 240	21 497 980

Electricity : Ageing

Current (0 – 30 days)

31 - 60 Days	4 361 477	2 823 528
61 - 90 Days	1 121 599	1 180 815
91 - 120 Days	256 144	391 800
121 - 365 Days	160 766	226 838
+ 365 Days	1 000 530	1 131 399
Total	6 900 516	5 754 380

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

Fire Levy : Ageing

Current (0 – 30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
121 - 365 Days
+ 365 Days
Total

5 139	43 551
52 358	49 988
47 050	51 319
51 793	54 097
829 136	703 452
-	-
985 476	902 407

Refuse : Ageing

Current (0 – 30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
121 - 365 Days
+ 365 Days
Total

216 262	674 895
875 915	706 672
727 998	706 452
828 911	742 783
11 377 599	10 103 372
14 026 685	12 934 174

Summary of Debtors by Customer Classification

Consumers Industrial / Commercial National and
Provincial
Government

as at 30 June 2010

Current (0 – 30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
121 - 365 Days
Sub-total
Less: Provision for doubtful debts
Total debtors by customer classification

2 344 446	5 438 968	102 393
1 845 649	1 540 003	56 009
1 147 212	838 079	1 329
1 244 204	781 231	2 676
21 152 936	10 890 940	175 841
27 734 447	19 489 221	338 249
(13 572 920)	(9 537 801)	(165 535)
14 161 527	9 951 420	172 714

as at 30 June 2009

Current (0 – 30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
121 - 365 Days
+ 365 Days
Sub-total
Less: Provision for doubtful debts
Total debtors by customer classification

1 761 540	2 683 714	656
1 186 774	1 382 714	814
827 168	923 809	1 264
633 909	858 264	
17 764 631	13 063 687	
22 174 021	18 912 188	2 733
(11 749 757)	(10 021 349)	(1 448)
10 424 265	8 890 839	1 285

Reconciliation of the doubtful debt provision

Balance at beginning of the year
Contributions to provision
Doubtful debts written off against provision
Reversal of provision
Balance at end of year

(36 261 314)	(23 375 727)
(1 923 015)	(12 885 587)
14 908 073	-
-	-
(23 276 257)	(36 261 314)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R 13 312 186 (2009: R 8 768 452) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due
2 months and above past due

2 028 111	1 492 172
32 219 717	30 829 443
34 247 828	32 321 616

Trade and other receivables impaired

As of 30 June 2010, trade and other receivables of R 18 393 953.08 - (2009: R 8 768 452-) were impaired and provided for.

The amount of the provision was R 23 276 257 - as of 30 June 2010 (2009: R 21 772 554).

The ageing of these receivables is as follows:

3 to 6 months
Over 6 months

The fair value of trade and other receivables approximates their carrying amounts.

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors	1 172 400	1 095 484
Total Other Debtors	1 172 400	1 095 484

4 INVENTORIES

Opening balance of inventories:	276 483	424 768
Consumable stores - at cost	276 483	424 768
Additions:	1 719 629	5 232 034
Consumable stores	1 719 629	5 232 034
Issued (expensed):	(1 649 320)	(5 380 319)
Consumable stores	-	(5 380 319)
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):	-	-
Consumable stores	-	-
Closing balance of inventories:	346 792	276 483
Consumable stores	346 792	276 483

No inventory had been pledged as security for 2010.

5 PREPAYMENTS

Prepaid expenses	345 931	5 465 059
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Annual membership fees and Annual Licences fees relating to following financial year, were paid in the current year to KwanaLoga Ingenious Information System, Demension Data and Softline VIP.

6 INVESTMENTS

Call Investment were included in note 1 therefore not disclosed separately in the face of the Statement of Financial Position.

Deposits	-	-
Call investments	3 590 090	4 282 685
	3 590 090	4 282 685

Call deposits of R 3 590 108.47 (2009: R 4 282 685) are held at First National Bank.

FNB - 620 4994 7825 - Reserve Account	30 000	40 028
FNB - 620 6376 4221 - Financial Management Grant	1 000	9 700
FNB - 620 6810 2682 - People's Housing Process	32 243	136 801
FNB - 620 8937 2868 - Municipal Infrastructure Grant	93 553	124 021
FNB - 620 8992 7663 - MSIG Project Consolidate	1 000	19 895
FNB - 621 9170 1476 - FMG Provincial Treasury	794 224	258 999
FNB - 621 0368 9230 - Horse Shoe Housing	1 288 202	1 879 036
FNB - 621 2423 9288 - Gijima Account	29 963	29 441
FNB - 621 2132 3175 - Bhokintaba Sub-Station	-	14 467
FNB - 621 7630 9427 - Land Sales	-	13 162
FNB - 621 9024 8221 - Housing Operating Account	1 319 833	415 613
FNB - 622 2167 8644 - Appointment of Government Experts	-	430 431
FNB - 622 2168 1522 - Cemetery	-	911 026
Other	-	65
	3 590 018	4 282 620

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value

	Land & Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
as at 1 July 2009 RESTATED	(10 135 000)	13 934 227		1 754 148	2 003 251	7 556 626
Cost/Revaluation	89 632 681	201 760 965	-	13 404 429	-	304 798 074
Change in accounting policy - Leases	-	-	-	(2 208 868)	3 689 050	1 480 182
Change in accounting policy	(10 135 000)	-	-	-	-	(10 135 000)
Accumulated depreciation and impairment losses	(89 632 681)	(187 826 737)	-	(9 441 413)	(1 685 799)	(288 586 630)
						-
Acquisitions	10 394 735	11 402 925	2 652 925	2 946 495	-	27 397 080
Capital under Construction	-	4 814 903	-	-	-	4 814 903
Depreciation: Additions	(242 544)	(147 921)	(599)	(152 388)	-	(543 452)
Depreciation	-	(756 790)	(103 821)	(1 607 382)	(886 778)	(3 354 772)
Carrying value of disposals	(484 700)	-	-	(197 322)	-	(682 022)
Cost/Revaluation	(484 700)	-	-	(197 322)	-	(682 022)
Accumulated depreciation and impairment losses	-	-	-	-	-	-
as at 30 June 2010	(467 509)	29 247 343	2 548 505	2 743 551	1 116 473	35 188 363
Cost/Revaluation	89 632 681	201 760 965	-	13 404 429	3 689 050	308 487 124
Additions	10 394 735	11 402 925	2 652 925	2 946 495	-	27 397 080
Change in accounting policy	(10 135 000)	-	-	(2 208 868)	-	(12 343 868)
Capital under Construction	-	4 814 903	-	-	-	4 814 903
Disposals	(484 700)	-	-	(197 322)	-	(682 022)
Accumulated depreciation and impairment losses	(89 875 225)	(188 731 449)	(104 420)	(11 201 183)	(2 572 577)	(292 484 854)

Pledged as security

The were no assets pledged as security as at 30 June 2010, except for obligations under finance leases which are secured by the lessor's title to the leased vehicles. Refer to note 16.

Refer to Appendix B for more detail on property, plant and equipment.

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

8 INTANGIBLE ASSETS

8.1 Reconciliation of carrying value

	Computer Software	Other*	Total
as at 1 July 2009	-	-	-
Cost	-	-	-
Correction of error	-	-	-
Change in accounting policy	-	-	-
Accumulated amortisation and impairment losses	-	-	-
Acquisitions	948 846	-	948 846
Amortisation	(71 044)	-	(71 044)
as at 30 June 2010	877 802	-	877 802
Cost	948 846	-	948 846
Accumulated amortisation and impairment losses	(71 044)	-	(71 044)

9 INVESTMENT PROPERTY CARRIED AT COST

9.1 Reconciliation of carrying value

	Investment property - Vacant Land	Investment property Land and Buildings	Total
As at 30 June 2009 RESTATED	10 135 000	5 991 000	16 126 000
Cost	-	-	-
Change in accounting policy	10135000	5991000	16 126 000
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Depreciation	-	-	-
as at 30 June 2010	10 135 000	5 991 000	16 126 000
Cost	10 135 000	5 991 000	16 126 000
Accumulated depreciation and impairment losses	-	-	-

9.1 Reconciliation of carrying value

	Investment property	Investment property	Total
As at 30 June 2009 RESTATED	10 135 000	5 991 000	16 126 000
Cost	10 135 000	5 991 000	16 126 000
Accumulated depreciation and impairment losses	-	-	-

9.2 The Municipality has not pledged Investment property as security

9.3 Fair value of investment property carried at cost:

The value of municipal properties is R16 126 000 (2009: R16 126 000) were valued by the Ian Gordon Property Valuers CC. The effective date of the valuation was 31 March 2010. Transfers amounting to R5 991 000 relates to land and buildings that were previously accounted for under property, plant and equipment at Nil values. Adjustments amounting to R10 135 000 relates to vacant land which is held by the Municipality for undetermined future use.

9.4 Rental income from investment property

Direct operating expenses from rental generating property	34 224	-
Direct operating expenses from non-rental generating property		

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009 RESTATED
10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		1 795 214	1 028 287
Staff leave accrual		8 729 479	4 768 627
Other creditors		11 764 650	10 926 974
Total creditors		22 289 343	16 723 888
The fair value of trade and other payables approximates their carrying amounts.			
11 CONSUMER DEPOSITS			
Electricity		2 782 873	2 337 644
Total consumer deposits		2 782 873	2 337 644
12 VAT RECEIVABLE			
VAT receivable		1 953 275	15 488 618
		1 953 275	15 488 618
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
13 PROVISIONS			
Performance bonus		-	558 412
Current portion of long-service provision		-	159 892
Other provisions		627 220	-
Total Provisions		627 220	718 304
Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.			
14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Unspent Conditional Grants from other spheres of Government			
MSIG Project Consolidate		-	-
Public Participation		-	-24
Horseshoe Township		1 288 283	1 903 674
Financial Management Grant - FMG		795 224	170 504
Peoples Housing Process 12 & 13		32 243	136 801
Municipal Infrastructure Grant- MIG		93 556	34 556
NER		-	-493 920
Cemetery		-	703 897
KZN Province		-	351 495
Other Unspent Conditional Grants and Receipts			
Gijima Project		29 963	29 441
Total Unspent Conditional Grants and Receipts		2 239 270	2 836 424
See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.			
15 BORROWINGS			
Annuity Loans		7 993 196	11 200 791
Other borrowings		-	-
		7 993 196	11 200 791
Less : Current portion transferred to current liabilities			
Annuity Loans		-3 914 897	-3 207 593
Total borrowings		4 078 299	7 993 198
Refer to Appendix A for more detail on borrowings.			
16 FINANCE LEASE LIABILITY			
2010			
Amounts payable under finance leases			
Within one year	Minimum lease payment	Future finance charges	Present value of minimum lease payments
Within two to five years	707 299	-93 547	613 752
	597 747	-72 714	525 033
	1 305 046	-166 261	1 138 785
Less: Amount due for settlement within 12 months (current portion)			-707 299
			431 486
The average lease term is five years and the average effective borrowing rate is 10.5% Interest rates are fixed at the contract date. Obligations under finance leases are secured by the lessor's title to the leased asset.			
			1 977 479

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009 RESTATED
	Minimum lease payment	Future finance charges	Present value of minimum lease payments
2009			
Amounts payable under finance leases			
Within one year	1 013 049	-183 065	829 984
Within two to five years	1 305 046	-166 261	1 138 785
	2 318 096	-349 326	1 968 770
Less: Amount due for settlement within 12 months (current portion)			-1 013 049
			955 720

The average lease term is five years and the average effective borrowing rate is 10.5%. Interest rates are fixed at the contract date. Obligations under finance leases are secured by the lessor's title to the leased asset.

17 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill sites	5 302 000	4 733 544
Total Non-Current Provisions	5 302 000	4 733 544

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The figures for both 2009 and 2010 financial years were calculated by Thekwini GeoCivils CC, who registered professional engineers. We assumed 10% costs escalation based on average CPI previous figures for three years. The discount rate was based prime lending rates prevailing at year end, 10% 2010 and (11% for 2009). The effect of the change in discount rate is decrease of R47 766 which would have been recognised in the Annual Financial Statements for 2010.

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:

Balance at the beginning of year	4 733 544	-
Contributions to provision	-	4 733 544
Expenditure incurred	-	-
Increase in provision due to discounting	568 456	-
Transfer to current provisions	-	-
Balance at the end of year	5 302 000	4 733 544

18 PROPERTY RATES

Actual

Residential	21 536 189	10 296 844
Commercial	24 996 053	27 393 959
State	29 704 780	931 920
Total property rates	76 237 022	38 622 723
Property rates - penalties imposed and collection charges	5 265 387	3 317 855
Total	81 502 409	41 940 578

Valuations

Residential	1 162 508 000	1 238 528 785
Commercial	1 626 811 000	1 521 991 000
State	789 181 000	810 835 000
Municipal	119 440 000	101 964 000
Total Property Valuations	3 697 940 000	3 673 318 785

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A Residential allocation factor of R0.02 (2009: R0.01) is applied to residential property valuations to determine assessment rates. Rebates of 30% are granted to residential and state property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being 30 November 2010 (2009: 30 November). Interest at 18% per annum (2009: 18%) is levied on outstanding rates as well as 10% (2009: 10%) collection charge two months after final date of pay

19 SERVICE CHARGES

Sale of electricity	55 024 761	42 989 253
Refuse removal	9 164 798	10 751 030
Other service charges	15 741 782	9 482 516
Total Service Charges	79 931 341	63 222 799

20 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	531 636	129 376
Other rentals	103 571	5 727
Total rentals	635 208	135 103

21 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	439 448	619 664
Total interest	439 448	619 664

22 INTEREST EARNED - OUTSTANDING RECEIVABLES

Debtors	666	106 639
Total interest	666	106 639

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

23 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	28 638 754	22 796 411
MSIG Project Consolidate	714 128	-
Public Participation	-	-
Horseshoe Township	-	-
Financial Management Grant - FMG	2 102 197	3 760 551
Peoples Housing Process 12 & 13	-	-
Municipal Infrastructure Grant- MIG	12 771 550	-
NER	3 447 080	-
Cemetery	673 931	-
KZN Province	359 645	-
	48 707 285	26 556 962

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

23.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R205 246.00 (2009; R261 383.79), which is funded from the grant.

23.2 MSIG Project Consolidate

Balance unspent at beginning of year	-	162 809
Current year receipts	753 273	788 815
Conditions met - transferred to revenue	-753 273	-951 624
Conditions still to be met - remain liabilities	-	0

23.3 Public Participation

Balance unspent at beginning of year	-24	88 393
Current year receipts	24	6 299
Conditions met - transferred to revenue	-	-94 715
Conditions still to be met - remain liabilities	0	-24

23.4 Horseshoe Township

Balance unspent at beginning of year	1 903 674	1 719 679
Current year receipts	68 649	359 195
Conditions met - transferred to revenue	-	-175 200
Conditions still to be met - remain liabilities	1 972 323	1 903 674

This is the balance of the housing grant for the construction of low cost housing which can only be utilised for further housing development as approved by Human Settlement Department.

23.5 Financial Management Grant - FMG

Balance unspent at beginning of year	170 504	183 431
Current year receipts	2 857 868	1 302 935
Conditions met - transferred to revenue	-2 233 148	-1 315 862
Conditions still to be met - remain liabilities	795 224	170 504

The grant is for financial reforms and implementation of the MFMA requirements and already committed for running projects at year end e.g. GRAP Conversion and other related financial management programmes.

23.6 Peoples Housing Process 12 & 13

Balance unspent at beginning of year	136 801	200 794
Current year receipts	3 683	9 988
Conditions met - transferred to revenue	-	-73 981
Conditions still to be met - remain liabilities	140 484	136 801

This is the balance of the housing grant for the construction of low cost housing which can only be utilised for further housing development as approved by Human Settlement Department.

23.7 Municipal Infrastructure Grant- MIG

Balance unspent at beginning of year	34 556	146 303
Current year receipts	14 364 212	9 868 056
Conditions met - transferred to revenue	-14 305 215	-9 979 802
Conditions still to be met - remain liabilities	93 553	34 556

This has been committed in the running infrastructural projects.

23.8 NER

Balance unspent at beginning of year	-493 920	-
Current year receipts	3 941 000	9 847 336
Conditions met - transferred to revenue	-3 447 080	-10 341 255
Conditions still to be met - remain liabilities	-	-493 920

23.9 Cemetery

Balance unspent at beginning of year	703 897	-
Current year receipts	25 588	911 026
Conditions met - transferred to revenue	-729 484	-207 129
Conditions still to be met - remain liabilities	-	703 897

23.10 KZN Province

Balance unspent at beginning of year	351 495	-
Current year receipts	8 150	505 971
Conditions met - transferred to revenue	-359 645	-154 476
Conditions still to be met - remain liabilities	-	351 495

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009 RESTATED
24 EMPLOYEE RELATED COSTS			
Employee related costs - Salaries and Wages		43 712 979	33 954 807
Employee related costs - Contributions for UIF, pensions and medical aids		7 030 062	5 752 456
Travel, motor car, accommodation, subsistence and other allowances		2 974 121	1 975 532
Housing benefits and allowances		153 245	333 572
Overtime payments		1 533 000	1 865 928
Performance and other bonuses		627 220	558 412
Long-service awards		976 440	1 041 199
Other employee related costs		-	-
Total Employee Related Costs		57 007 067	45 481 906

There were no advances to employees / Loans to employees.

Remuneration of the Municipal Manager

Annual Remuneration	640 300	570 219
Performance- and other bonuses	77 814	69 297
Travel, motor car, accommodation, subsistence and other allowances	142 290	126 715
Contributions to UIF, Medical and Pension Funds	53 358	47 518
Total	913 762	813 749

Remuneration of the Chief Finance Officer

Annual Remuneration	415 498	330 612
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	199 439	158 694
Contributions to UIF, Medical and Pension Funds	77 560	61 714
Total	692 497	551 020

Remuneration of Individual Executive Directors

2010

	Infrastructure, Planning and Development	Corporate Services	Social Development
Annual Remuneration	406 858	417 423	316 811
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	227 602	227 062	154 216
Contributions to UIF, Medical and Pension Funds	58 091	48 012	56 240
Total	692 551	692 497	527 267

2009

	Infrastructure, Planning and Development	Corporate Services	Social Development
Annual Remuneration	366 539	332 143	80 473
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	151 959	180 673	-
Contributions to UIF, Medical and Pension Funds	92 400	38 204	-
Total	610 898	551 020	80 473

25 REMUNERATION OF COUNCILLORS

Mayor	339 130	315 981
Deputy Mayor	283 053	264 536
Speaker	283 053	264 536
Executive Committee Member	145 949	136 402
Councillors	732 368	697 218
Councillors' pension and medical aid contributions	344 548	310 202
Councillors' allowances	823 561	815 815
Total Councillors' Remuneration	2 951 662	2 804 691

The remuneration of Councillors were broken down as follows:

Remuneration of the Mayor

Annual Remuneration	339 130	315 981
Travel, Cellphone and other allowances	138 752	151 829
Contribution to UIF, Medical and Pension Funds	77 126	74 764
Total	555 008	542 574

Remuneration of the Deputy Mayor

Annual Remuneration	283 053	264 536
Travel, Cellphone and other allowances	128 101	119 723
Contribution to UIF, Medical and Pension Funds	49 951	48 406
Total	461 105	432 665

Remuneration of the Speaker

Annual Remuneration	283 053	264 536
Travel, Cellphone and other allowances	128 101	119 723
Contribution to UIF, Medical and Pension Funds	49 951	48 406
Total	461 105	432 665

Remuneration of the Executive Committee Member

Annual Remuneration	145 949	136 402
Travel, Cellphone and other allowances	67 903	68 874
Contribution to UIF, Medical and Pension Funds	20 407	20 390
Total	234 259	225 666

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009 RESTATED
Councillor: Mhlongo			
Annual Remuneration		106 145	99 200
Travel, Cellphone and other allowances		52 293	48 874
Contribution to UIF, Medical and Pension Funds		18 731	19 229
		177 169	167 303
Councillor: Rodgers			
Annual Remuneration		106 145	99 200
Travel, Cellphone and other allowances		52 293	48 874
Contribution to UIF, Medical and Pension Funds		18 731	19 229
		177 169	167 303
Councillor: Nocanda			
Annual Remuneration		106 145	99 200
Travel, Cellphone and other allowances		52 293	48 874
Contribution to UIF, Medical and Pension Funds		18 731	19 229
		177 169	167 303
Councillor: Mavuka			
Annual Remuneration		106 145	99 200
Travel, Cellphone and other allowances		52 293	48 874
Contribution to UIF, Medical and Pension Funds		18 731	19 229
		177 169	167 303
Councillor: Jojozi			
Annual Remuneration		106 145	99 200
Travel, Cellphone and other allowances		52 293	48 874
Contribution to UIF, Medical and Pension Funds		18 731	19 229
		177 169	167 303
Councillor: White			
Annual Remuneration		106 145	99 200
Travel, Cellphone and other allowances		52 293	48 874
Contribution to UIF, Medical and Pension Funds		18 731	19 229
		177 169	167 303
Councillor: Mathe			
Annual Remuneration		106 145	99 200
Travel, Cellphone and other allowances		52 293	48 874
Contribution to UIF, Medical and Pension Funds		18 731	19 229
		177 169	167 303

In-kind Benefits

The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.
The Mayor has use of the Council owned vehicle for official duties.

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009 RESTATED
26 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		3 794 403	2 497 647
Intangible assets		71 044	-
Investment property carried at cost		-	-
Total Depreciation and Amortisation		3 865 447	2 497 647
27 FINANCE COSTS			
Borrowings		1 417 726	2 265 909
Total Finance Costs		1 417 726	2 265 909
28 BULK PURCHASES			
Electricity		33 586 326	25 222 410
Total Bulk Purchases		33 586 326	25 222 410
29 GRANTS AND SUBSIDIES PAID			
Grants paid to Museum		40 000	37 000
		40 000	37 000
The Municipality pay grant in aid to the East Griqualand Museum annually.			
30 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		316 564	247 819
Current-service Costs - Post-employment Health Care Benefits		313 140	301 321
Interest Costs - Post-employment Health Care Benefits		663 300	739 878
Admin fees		471 454	6 810 080
Audit fees		1 421 684	852 020
Bank charges		60 630	276 632
Cleaning		155 909	-
Conferences and delegations		232 720	362 768
Departmental consumption		1 509 192	134 992
Entertainment		101 229	293 581
Financial management grant		2 558 244	4 245 139
Fuel and oil		1 368 505	1 568 128
Insurance		1 134 780	896 065
Levies paid		4 359	-
Licence fees - vehicles		50 527	100 689
Postage		505 860	479 323
Printing and stationery		587 083	678 644
Professional fees		285 029	1 359 906
Rental of buildings		574 675	536 509
Rental of office equipment		590 226	146 947
Rental of computer equipment		971 246	27 883
Other rentals		13 688	1 657 745
Security costs		2 205 536	-
Stocks and material		1 321 555	1 364 174
Subscription & publication		1 035 472	787 759
Telephone cost		922 397	763 226
Training		945 576	549 889
Transport claims		19 960	58 789
Travel and subsistence		1 567 371	773 708
Uniforms & overalls		377 877	97 230
Valuation costs		125 200	96 368
Other		64 144 681	36 549 657
		86 555 672	62 756 870
31 GAIN / (LOSS) ON SALE OF ASSETS			
Investment property		565 694	-
Total Gain / (Loss) on Sale of Assets		565 694	-

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

32 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year
Adjustment for:-
Depreciation and amortisation
Change in accounting policy (see note 36)
Correction of an error (see note 36)
Prior year adjustment (see note 35)
(Gain) / loss on sale of assets
Contribution to provisions - non-current
Contribution to provisions - current
Finance costs
Interest earned
Other non-cash item
Operating surplus before working capital changes:

11 623 834	-8 198 632
-	-
3 865 447	2 497 647
-	43 232 876
3 855 636	-
11 654 448	-
-565 694	-
1 415 537	-
-91 084	-2 945 227
-	-2 310 572
-	-
31 758 124	32 276 093

(Increase)/decrease in inventories
(Increase)/decrease in trade receivables
(Increase)/decrease in other receivables
(Increase)/decrease in VAT receivable
Increase/(decrease) in conditional grants and receipts
Increase/(decrease) in trade payables
Increase/(decrease) in consumer deposits
(Increase)/decrease in Prepayments
Cash generated by/(utilised in) operations

-70 312	-148 287
-19 458 031	16 419 683
-76 916	-
13 535 343	-
-597 154	-3 107 901
5 565 455	727 723
445 229	-55 509
5 119 128	-
36 220 867	46 111 802

33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balance
Call Investment Deposit
Cash on Hand
Bank overdrafts
Net cash and cash equivalents (net of bank overdrafts)

2 092 335	-
3 590 090	4 282 685
14 104	5 105
-	-4 558 971
5 696 529	-271 181

34 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 22)
Used to finance property, plant and equipment – at cost
Sub- total
Cash set aside for the repayment of long-term liabilities
Cash invested for repayment of long-term liabilities

7 993 196	11 200 791
-	-
7 993 196	11 200 791
-	-

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. The Municipality utilises own revenue to repay long-term liabilities on redemption date.

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009 RESTATED
35 CHANGE IN ACCOUNTING POLICY			
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:			
The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2010 is as follows:			
35.1 Statutory Funds			
Balance previously reported: -			
Capital Development Fund			41 741 118
Public Development Fund			5 526 170
Loans redeemed and other capital receipts			293 597 282
Total			340 864 570
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit)			340 864 570
35.2 Non-current provisions			
Balance previously reported -			
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit)			
Long Service award			1 512 074
Post Retirement Health Care Liability			7 330 096
Landfill site			4 733 544
Total			13 575 714
35.3 Property, plant and equipment	4 820 000.00		
Balance previously reported			
Implementation of GRAP			
Prior Adjustment - Capitalisation of Leased Assets as a result of Change in accounting policy			1 480 182
Transfer of PPE to Investment Properties			10 135 000
Transfer of Investment properties from PPE			-10 135 000
Total			1 480 182
35.4 Accumulated Depreciation			
Balance previously reported -			
Implementation of GRAP			
Backlog depreciation: Land and buildings			89 632 682
Backlog depreciation: Infrastructure			167 538 553
Backlog depreciation: Other			28 364 927
Total (debited to Accumulated Surplus/(Deficit))			285 536 162
35.5 Accumulated Surplus/(Deficit)			
Implementation of GRAP			
Long Service Award Provision			-1 512 074
Post Retirement Health Care Liability			-7 330 096
Non-current provisions previously not recognised			-4 733 544
Prior Adjustment - Capitalisation of Leased Assets as a result of Change in accounting policy			1 480 182
Transferred from statutory funds			47 267 288
Transferred from Loans Redeemed and other Capital Receipts			293 597 282
Backlog depreciation			-285 536 162
Total			43 232 876
35.6 Revaluation Surplus Reserve			
Transfer of PPE to Investment properties at revalued amount			5 991 000
36 CORRECTION OF ERROR			
During the year ended 30 June 2010, it was discovered that an amount of R3 855 635.83 was erroneously accounted for under unspent conditional grants and that necessitated the unbundling of unspent conditional grants:			
The comparative amount has been restated as follows:			
Unspent Conditional Grants		-3 855 636	
Accumulated Surplus		3 855 636	
Net effect on Statement of Financial Position		-	-
Net effect on Accumulated surplus opening balance		-	

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

37 CHANGE IN ESTIMATE

There were no changes in accounting estimates during the year under review.

38 EVENTS AFTER THE BALANCE SHEET DATE

Management has not identified any matter, or circumstance (adjusting or non-adjusting) since the end of the financial year, that has significantly affected, or may significantly affect, the operations, the results of those operations, or the state of affairs of the Municipality in future financial years.

39 GOING CONCERN

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The following factors were taken into consideration in our assessment:

The Greater Kokstad Municipality's cash and cash equivalents held at Balance Sheet date were as follows over the last three years:

	2010	2009	2008
Cash and cash equivalents at the end of the year	<u>5 696 529</u>	<u>-271 181</u>	<u>2 753 543</u>

It is projected that the cash balance will further increase during the 2010/11 financial year due to other revenue streams that have been introduced within the municipality as well as improved debt collection.

During the past two years surplus cash was used to fund capital projects.

The above indicators as well as the power to levy taxes suggest that the Going Concern Assumption is appropriate.

40 RELATED PARTIES

The municipality did not have any related party relationships, balances or transactions for the year under review except for the following:

Post employment benefits (refer to note 45 below)

Compensation to Councillors and other key management (refer to notes 24 and 25 respectively)

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

41.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	-	-
Fruitless and wasteful expenditure current year	33 804	89 894
Condoned or written off by Council	-33 804	-89 894

Incident Disciplinary steps/criminal proceedings

This expenditure of relates to penalties incurred by the Municipality due to late submission of tax returns. This expenditure could have been avoided had finance employees adhered to statutory deadlines. The Council took a resolution to condone this fruitless and wasteful expenditure and thus no disciplinary action will be taken against responsible employees.

Opening balance -	-	-
Fruitless and wasteful expenditure current year	9 910	-
Condoned or written off by Council	-	-
To be recovered	<u>9 910</u>	<u>-</u>

Incident Disciplinary steps/criminal proceedings

The expenditure of R5 546.89 pertains to the leave payouts made to employees, whose services were terminated by the municipality, which were incorrectly calculated. An amount of R4 363.24 was incorrectly paid out as salary when an employee resigned. The amount will be recovered from the relevant parties. No disciplinary steps will be taken against any party as it was an administrative error.

Opening balance -	-	-
Fruitless and wasteful expenditure current year	7 087	-
Condoned or written off by Council	-	-
To be recovered	<u>7 087</u>	<u>-</u>

Incident Disciplinary steps/criminal proceedings

The former employee lost a laptop to the value of R11 696, of which R4 609 was subsequently recovered from her last salary payment when she resigned. The municipality will institute legal action to recover the outstanding amount of R7 087.

41.2 Irregular Expenditure

Opening balance -	-	-
Fruitless and wasteful expenditure current year	478 136	-
Condoned or written off by Council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>478 136</u>	<u>-</u>

Incident Disciplinary steps/criminal proceedings

Procurement to the value of R478 136 was undertaken without inviting three quotes or obtaining the motivation letter, in contravention of Supply Chain Management Regulations and Supply Chain Management Policy. No disciplinary steps will be taken against any employee as management view it as an oversight.

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010	2009 RESTATED
Grand Total		495 133	-

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

42.1 Contributions to organised local government

Opening balance	-	-
Council subscriptions	191 672	191 672
Amount paid - current	-191 672	-191 672
Amount paid - previous years		
Balance unpaid	-	-

42.2 Audit fees

Opening balance	-	-
Current year audit fee	1 421 684	852 020
Amount paid - current year	-1 421 684	-852 020
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

There were no unpaid audit fees at year end.

42.3 VAT

VAT input receivables and VAT output payables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.

42.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	5 457 987	4 222 131
Amount paid - current year	-5 457 987	-4 222 131
Amount paid - previous years	-	-
Balance unpaid	-	-

42.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	11 812 165	9 833 313
Amount paid - current year	-11 812 165	-9 833 313
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

42.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

as at 30 June 2010

Councillor N. Mavuka
Councillor T.N. Jojozi
Councillor J.J. Mhlongo
Councillor M. White
Councillor F. Rodgers
Total Councillor Arrear Consumer Accounts

Total	Outstanding less than 90 days	Outstanding more than 90 days
9 779	834	8 945
3 289	719	2 570
4 175	686	3 489
3 388	1 991	1 397
7 565	7 565	-
28 196	11 795	16 401

as at 30 June 2009

Councillor N. Mavuka
Councillor T.N. Jojozi
Councillor M. White
Councillor J.J. Mhlongo
Total Councillor Arrear Consumer Accounts

6 523	746	5 777
11 662	744	10 918
6 320	488	5 832
1 593	500	1 093
26 098	2 478	23 620

During the year the following Councillors had arrear accounts outstanding for more than 90 days. Arrangements will be made to deduct outstanding amounts from Councillors salaries.

as at 30 June 2010

Councillor N. Mavuka
Councillor T.N. Jojozi
Councillor J.J. Mhlongo
Councillor M. White
Councillor F. Rodgers

Highest Amount Outstanding	Ageing Days
9 779	90 days
3 289	90 days
4 175	90 days
3 388	90 days
-	90 days
20 631	

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

42.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has developed a supply chain management policy which is reviewed on a yearly basis.

43 CAPITAL COMMITMENTS

43.1 Commitments in respect of capital expenditure

- Approved and contracted for

Infrastructure
Community

15 795 492	25 362 228
15 795 492	24 918 284
-	443 944

- Approved but not yet contracted for

Infrastructure
Community

8 720 000	-
3 800 000	-
4 920 000	-

Total

24 515 492	25 362 228
-------------------	-------------------

This expenditure will be financed from:

- Government Grants
- Own resources

6 696 693	9 330 413
17 818 799	16 031 815
24 515 492	25 362 228

44 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year
In the second to fifth year inclusive
After five years
Total

585 703	615 154
364 372	950 075
-	-
950 075	1 565 229

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable..

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

45 RETIREMENT BENEFIT INFORMATION

45.1 Defined contribution plan

The municipality contribute to the following Pension Funds on behalf of its employees. These contributions have been expensed.

Contribution to the South African Local authority Pension Fund(SALA) and made as follow:

62 members

Members-8.6%

Council-20.78%

Contribution to the Natal Joint Provided Fund(NJPF) and are made as follows:

Provident 1.-1 Member-5% Council-13.65%

Provident 2.-2 Members-7% Council-18%

Provident 3.-5 Members-79.25% Council-18%

Retirement

60 Members

Council-29%

Superannuiton

56 Members

Member-9.25%

Council-25%

Councillors-28.75%

10 Members

Member 13.75%

Member 15%

45.2 Defined Benefit Obligations

45.2.1 Post Retirement Health Care Liability

Opening Balance

Less: Transfer to current provisions

7 238 258	6 932 527
-313 140	-301 321
6 925 118	7 028 775

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition service), on retirement, is entitled to remain a continued member of such a medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of the plan assets and the present value of unfunded defined obligation were carried out as at 30 June 2010 by ARCH Actuarial Consulting, a member of the actuarial society of South Africa. The present value of the defined benefit obligation, and related current service cost, and past service cost, were measured using the projected unit credit method. No other post retirement medical benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit, of which the members are made up as follows:

In-service employees

Continuation members

3 475 774	-
3 762 484	-
7 238 258	

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Key Health; and
- Samwumed

The future service cost for the ensuing year is established to be R 233 648 whereas the interest cost for the next year is estimated to be R 663 300.

Discount rate

Health care inflation rate

Net effective discount rate

Expected rate of salary increases

Expected retirement age - Females

Expected retirement age - Males

9%	9%
7%	8%
2%	1%
8%	0%
58	58
63	63

The amounts recognised in the statement of financial position are as follows:

Present value of unfunded obligations

7 238 258	7 330 096
------------------	------------------

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

The amount recognised in the statement of financial performance are as follows:

Current service costs
Interest cost

313 140	301 321
663 300	739 878
976 440	1 041 199

Balance at the beginning of the year - Unfunded
Current service cost
Interest cost
Benefits paid
Actuarial (gain)/losses on the obligation
Balance at the end of the year - Unfunded

7 330 096	6 932 527
313 140	301 321
663 300	739 878
-239 988	-215 532
-828 290	-428 098
7 238 258	7 330 096

Key Demographic Assumptions

Assumption	Value		
Average retirement age	63 for males; 58 for females		
Continuation of membership at retirement	100%		
Proportion assumed married at retirement	90%		
Proportion of eligible current non-member employees joining the scheme by retirement	30%		
Mortality during employment	SA 85-90		
Mortality post-retirement	PA 90-1		
Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Sensitivity Analysis

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iii) A one-year decrease in the assumed average retirement age; and
- (iv) A 50% reduction in the assumed withdrawal rates.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	Change %
Central assumptions		3.476	3.76	7.24	
Health Care inflation	Plus 1%	4.152	4.22	8.37	16%
	Minus 1%	2.937	3.38	6.32	-13%
Post-retirement mortality	Minus 1yrs	3.582	3.89	7.47	3%
Average retirement age	Minus 2yrs	3.709	3.76	7.47	3%
Withdrawal rates	Minus 50%	3.763	3.76	7.51	4%

The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2010

Assumption	Change	Current-service Cost	Interest Cost	Total	Change %
Central assumptions		313 100	663 300	976 400	
Health Care inflation	Plus 1%	376 500	774 700	1 151 200	18%
	Minus 1%	263 100	572 900	836 000	-14%
Post-retirement mortality	Minus 1yrs	322 800	685 500	1 008 300	3%
Average retirement age	Minus 2yrs	263 100	688 400	951 500	-3%
Withdrawal rates	Minus 50%	341 100	691 600	1 032 700	6%

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2011

Assumption	Change	Current-service Cost	Interest Cost	Total	Change %
Central assumptions		233 600	653 900	887 500	
Health Care inflation	Plus 1%	283 600	757 700	1 041 300	17%
	Minus 1%	194 300	569 000	763 300	-14%
Post-retirement mortality	Minus 1yrs	240 400	675 100	915 500	3%
Average retirement age	Minus 1yrs	227 800	675 300	903 100	2%
Withdrawal rates	Minus 50%	256 600	678 500	935 100	5%

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

45.2.2 Long Service Awards

Provision for long service awards
Less: Transfer to current provisions

1 755 696	1 512 074
-153 008	-159 892
1 602 688	1 352 182

A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality (which includes their uninterrupted service with the former local authorities and provincial departments from July 2002).

The said award comprises a certain number of vacation leave days which in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due, or alternatively credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2010 may become entitled to in future based on an actuarial valuation performed at that date.

The most recent actuarial valuation of plan assets and the present value of unfunded defined benefit obligation were carried out as at 30 June 2010 by ARCH Actuarial Consulting a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost, and past service cost, were measured using the projected unit credit method. No other long service benefits are provided by the municipality.

The future service cost for the ensuing year is established to be R 153 008 whereas the interest cost for the next financial year is estimated to be R 154 211.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	9%	9%
Net effective discount rate	3%	2%
Expected rate of salary increases	6%	7%
Expected retirement age - Females	58	58
Expected retirement age - Males	63	63

The amounts recognised in the statement of financial position are as follow:

Present value of unfunded obligations

1 755 696	1 512 074
------------------	------------------

The amounts recognised in the statement of financial performance are as follows:

Current service costs

159 892	-
----------------	----------

Key Demographic Assumptions

Assumption	Value		
Average retirement age	63 for males; 58 for females		
Mortality during employment	SA85-90		
Withdrawal from service (sample annual rates)	Age	Rate	
		Female	Male
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	55	0%	0%

Sensitivity Analysis

Key Assumptions

The assumptions which tend to have the greatest impact on the results are:

- (i) The discount rate relative to the salary inflation assumptions;
- (ii) The average retirement age of employees; and
- (iii) Assumed rates of withdrawal of employees from service

Sensitivity Results

The liability at the Valuation Date was calculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A two-year decrease and increase in the assumed average retirement age of employees; and
- (ii) A 50% decrease in the assumed withdrawal rates from service.

GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2010 2009 RESTATED

Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	%Change
Central assumptions		1.76	
General salary inflation	Plus 1%	1.87	6%
	Minus 1%	1.65	Minus 6%
Average retirement age	Minus 2yrs	1.60	Minus 9%
	Plus 2yrs	1.92	9%
Withdrawal rates	Minus 50%	2.10	19%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher than the results of Accrued Liability.

Sensitivity Analysis on the Current-service and Interest costs for the year ending 30 June 2010

Assumption	Change	Current-service Cost	Interest Cost	Total	Change %
Central assumptions		159 892	130 756	290 648	
General salary inflation	Plus 1%	169 439	139 650	309 089	6%
	Minus 1%	151 398	122 664	274 062	-6%
Average retirement age	Minus 2yrs	151 778	119 428	271 206	-7%
	Plus 2yrs	171 939	144 150	316 089	9%
Withdrawal rates	Minus 50%	199 719	157 687	357 406	23%

Sensitivity Analysis on the Current-service and Interest costs for the year ending 30 June 2011

Assumption	Change	Current-service Cost	Interest Cost	Total	Change %
Central assumptions		153 008	154 411	307 419	
General salary inflation	Plus 1%	163 478	164 543	328 021	7%
	Minus 1%	153 662	145 188	288 850	-6%
Average retirement age	Minus 2yrs	143 500	140 363	283 863	-8%
	Plus 2yrs	162 297	169 105	331 402	8%
Withdrawal rates	Minus 50%	196 256	185 445	381 701	24%

The expected rate of return on Plan Assets

Management of Greater Kokstad Municipality has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the Long Service Award Liability.

HIV/AIDS

No additional allowance has been made regarding expected additional mortality and morbidity due to HIV/AIDS. The mortality table used makes some allowance for this. Increased mortality rates before retirement would lead to a reduction in the employer's Long-Service Award.

46 CONTINGENT LIABILITIES

The municipality did not have possible obligations arising from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the municipality.

47 RISK MANAGEMENT

47.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

47.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

47.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Long term annuity

48 Electricity losses

The municipality has identified a significant electricity loss of 17 902 219.14 kWh with an estimated value of R 5 370 665.74 for the year ended 30 June 2010. To prevent further losses, the municipality has implemented a random meter audit on a monthly basis. Those identified to be tampering with meters will be charged as required by the Debtors Control and Collection Policy.

49 RESTATEMENT OF COMPARATIVE INFORMATION

The Municipality has adopted GRAP Accounting Standards with effect from 01 July 2009 and comparative balances were restated accordingly.

GREATER KOKSTAD MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

FOR THE ENDED 30 JUNE 2010

			Balance at 30 June 2009	Received during the period	Redeemed / written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
EXTERNAL LOANS								
LONG-TERM LOANS								
INCA - R 8,000,000.00 16.75%	934-528070	20/06/2011	2 685 769	-	(1 235 112)	1 450 657		
INCA - R 7,000,000.00 11.87%	934-528080	30/06/2011	3 501 725	-	(1 532 764)	1 968 961		
INCA - R 5,800,000.00 12.28%	934-508050	30/06/2016	5 013 296	-	(439 718)	4 573 578		
Total long-term loans			11 200 790	-	(3 207 594)	7 993 196		
TOTAL EXTERNAL LOANS			11 200 790		(3 207 594)	7 993 196		

GREATER KOKSTAD MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Additions
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
Land												
Land and Buildings	89 632 681	10 394 735	(484 700)	-	89 632 681	(89 632 681)	(242 544)	(484 700)	-	(727 244)	(10 135 000)	10 394 735
	89 632 681	10 394 735	(484 700)	-	89 632 681	(89 632 681)	(242 544)	(484 700)	-	(727 244)	(10 135 000)	10 394 735
Infrastructure												
Roads	61 936 351	11 402 925	-	4 814 903	78 154 178	(57 658 838)	(904 711)	-	-	(58 563 549)	-	-
Electricity Mains	139 824 614	-	-	-	139 824 614	(130 167 900)	-	-	-	(130 167 900)	-	-
	201 760 965	11 402 925	-	4 814 903	217 978 792	(187 826 737)	(904 711)	-	-	(188 731 449)	-	-
Community Assets												
Stadiums	-	2 652 925	-	-	2 652 925	-	(104 420)	-	-	(104 420)	-	-
	-	2 652 925	-	-	2 652 925	-	(104 420)	-	-	(104 420)	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	291 393 645	24 450 585	(484 700)	4 814 903	310 264 398	(277 459 418)	(1 251 676)	(484 700)	-	(189 563 113)	(10 135 000)	10 394 735

GREATER KOKSTAD MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
Total brought forward	291 393 645	24 450 585	(484 700)	4 814 903	310 264 398	(277 459 418)	(1 251 676)	(484 700)	-	(189 563 113)	(10 135 000)	10 394 735
Other Assets												
Office Equipment	6 031 992.93		(197 322)	-	5 834 671	-	-	-	-	-	-	-
Furniture & Fittings	4 691 550.06		-	-	4 691 550	-	-	-	-	-	-	-
Bins and Containers		-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment		-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	1 340 442.87		-	-	1 340 443	-	-	-	-	-	(2 208 868)	-
Fire engines		-	-	-	-	-	-	-	-	-	-	-
Refuse tankers		-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1 340 442.87	2 946 495	-	-	4 286 938	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
	13 404 429	2 946 495	(197 322)	-	16 153 602	(9 441 413)	(1 759 770)	-	-	(11 201 183)	(2 208 868)	-
Finance Lease Assets												
Vehicles	3 689 050	-	-	-	3 689 050	(1 685 799)	(886 778)	-	-	(2 572 577)	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
	3 689 050	-	-	-	3 689 050	(1 685 799)	(886 778)	-	-	(2 572 577)	-	-
Total	308 487 124	27 397 080	(682 022)	4 814 903	330 107 049	(288 586 630)	(3 898 224)	(484 700)	-	(203 336 873)	(12 343 868)	10 394 735

GREATER KOKSTAD MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
Land												
Land and Buildings	89 632 681			-	89 632 681	(89 632 681)			-	(89 632 681)	(10 135 000)	-
	89 632 681	-	-	-	89 632 681	(89 632 681)	-	-	-	(89 632 681)	(10 135 000)	-
Infrastructure												
Roads	61 936 351		-		61 936 351	(57 658 838)		-	-	(57 658 838)	-	-
Electricity Mains	139 824 614	-	-	-	139 824 614	(130 167 900)	-	-	-	(130 167 900)	-	-
	201 760 965		-	-	201 760 965	(187 826 737)	-	-	-	(187 826 737)	-	-
Community Assets												
Stadiums	-		-	-	-	-		-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	291 393 645	-	-	-	291 393 645	(277 459 418)	-	-	-	(277 459 418)	(10 135 000)	-

GREATER KOKSTAD MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
Total brought forward	291 393 645	-	-	-	291 393 645	(277 459 418)	-	-	-	(277 459 418)	(10 135 000)	-
Other Assets												
Office Equipment	6 031 992.93			-	6 031 993	-	-	-	-	-	-	-
Furniture & Fittings	4 691 550.06		-	-	4 691 550	-	-	-	-	-	-	-
Motor vehicles	1 340 442.87		-	-	1 340 443	-	-	-	-	-	(2 208 868)	-
Computer Equipment	1 340 442.87		-	-	1 340 443	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
	13 404 429	-	-	-	13 404 429	(9 441 413)	-	-	-	(9 441 413)	(2 208 868)	-

Finance Lease Assets												
Leased Vehicles	3 689 050	-	-	-	3 689 050	(1 685 799)	-	-	-	(1 685 799)	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
	3 689 050	-	-	-	3 689 050	(1 685 799)	-	-	-	(1 685 799)	-	-
Total	308 487 124	-	-	-	308 487 124	(288 586 630)	-	-	-	(288 586 630)	(12 343 868)	-
Other Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Finance Lease Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total	308 487 124	-	-	-	308 487 124	(288 586 630)	-	-	-	(288 586 630)	(12 343 868)	-

Carrying Value
(467 509)
(467 509)
19 590 629 9 656 714
29 247 343
2 548 505
2 548 505
-
31 328 339

Carrying Value
31 328 339
5 834 671
4 691 550
-
-
(868 425)
-
-
4 286 938
-
-
<hr/> 2 743 551
1 116 473
-
<hr/> 1 116 473
<hr/> 35 188 363

Carrying Value
(10 135 000)
<u>(10 135 000)</u>
4 277 513
9 656 714
<u>13 934 227</u>
-
-
<u>-</u>
<u>3 799 227</u>

Carrying Value
3 799 227
6 031 993
4 691 550
(868 425)
1 340 443
-
<u>1 754 148</u>

2 003 251
-
2 003 251
7 556 626
-
-
-
-
-
-
-
7 556 626

GREATER KOKSTAD MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals/Transfers	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	239 150 064				239 150 064	(226 430 272)	(2 845 092)		(229 275 365)	9 874 699
Budget and Treasury	12 973 448				12 973 448	(12 283 423)	(154 341)		(12 437 764)	535 684
Corporate Services	49 293 661				49 293 661	(46 671 855)	(586 431)		(47 258 286)	2 035 375
Social Development	2 299 986	3 037 639			5 337 625	(2 177 655)	(63 500)		(2 241 155)	3 096 469
Infrastructure, Planning and Development	1 080 916	22 579 644	4 814 903	(7 557 043)	20 918 419	(1 023 424)	(248 860)		(1 272 284)	19 646 135
Total	304 798 074	27 397 080	4 814 903	(7 557 043)	327 673 216	(288 586 630)	(3 898 224)		(292 484 854)	35 188 362

GREATER KOKSTAD MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2010

2009	2009	2009		2010	2010	2010
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
11 172 377	(11 842 858)	(670 481)	Executive & Council	17 674 075	(16 769 744)	904 331
19 167 880	(20 318 191)	(1 150 311)	Budget and Treasury	30 322 513	(28 770 998)	1 551 515
27 136 442	(28 764 965)	(1 628 523)	Corporate Services	42 928 332	(40 731 814)	2 196 518
19 251 444	(20 406 770)	(1 155 326)	Social Development	30 454 707	(28 896 428)	1 558 279
			Infrastructure, Planning and			
59 887 449	(63 481 440)	(3 593 991)	Development	94 738 592	(89 891 094)	4 847 498
136 615 592	(144 814 224)	(8 198 632)		216 118 220	(205 060 079)	11 058 140
			Gain / (loss) on sale of assets			565 694
136 615 592	(144 814 224)	(8 198 632)	Total	216 118 220	(205 060 079)	11 623 834

GREATER KOKSTAD MUNICIPALITY
APPENDIX E (1)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
for the year ended 30 June

REVENUE	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Interest earned - Outstanding Debtors	666	40 000	-39 334	-98.34%	Interest and penalties on outstanding Debtors are consolidated in another vote.
Fines	4 128 637	3 501 000	627 637	17.93%	more traffic fines issued than originally anticipated.
Licences and Permits	773 225	1 105 000	-331 775	-30.02%	licences were not issued as anticipated.
Rental of facilities and equipment	635 208	465 000	170 208	36.60%	hire of municipal facilities like hall hire was more than originally planned.
Interest earned - external investments	439 448	1 000 000	-560 552	-56.06%	funds were mostly spent on service delivery than being invested hence lesser interest earned.
Government grants and subsidies	48 707 285	33 354 000	15 353 285	46.03%	MIG Budget figure does not include Capital Grants eg MIG
Property Rates	76 237 022	84 758 859	-8 521 837	-10.05%	property rates revenue was slightly lesser than originally planned.
Property Rates- Penalties imposed and collection	5 265 387	5 050 000	215 387	4.27%	Variance is within 10%
Service charges	79 931 341	78 321 000	1 610 341	2.06%	Variance is within 10%
			-		
Total Revenue	216 118 220	207 594 859	8 523 361	4.11%	
			-		
EXPENDITURE			-		
Executive & Council	14 147 882	13 449 313	698 569	5.19%	Variance is within 10%
Budget & Treasury	71 006 845	52 956 167	18 050 678	34.09%	The increase is mainly due to GRAP conversion items like depreciation as well as bad debts provision.
Corporate Services	19 805 153	12 228 562	7 576 591	61.96%	Mainly due to GRAP conversion, items like landfill
Social Development	26 418 933	27 689 585	-1 270 652	-4.59%	Variance is within 10%
Infrastructure, Planning & Development	73 915 351	101 271 232	-27 355 881	-27.01%	The decrease is mainly to GRAP conversion where infrastructure assets were capitalised from contribution to capital outlay.
Total Expenditure	205 294 164	207 594 859	-2 300 695	-1.11%	
Gain / (loss) on sale of assets	565 694	-	565 694		
NET SURPLUS(DEFICIT) FOR THE YEAR	11 389 750	-	11 389 750		

GREATER KOKSTAD MUNICIPALITY
APPENDIX E (2)
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
for the year ended 30 June 2010

	2010 Actual Additions	2010 Under Construction	2010 Total Additions	2010 Original Budget	Adjusted Budget	2010 Variance	2010 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R		R	%	
Executive & Council	394 450.72	-	394 450.72	4 085 000.00	390 000.00	-4 450.72	-1	Acquisition of office furniture was less than originally anticipated.
Budget and Treasury	424 877.44	-	424 877.44	470 000.00	500 000.00	75 122.56	15	Cost of furniture for open plan in the new building was higher than anticipated.
Infrastructure, Planning & Development	24 429 385.83	4 814 903.00	29 244 288.83	69 447 430.00	57 952 385.00	28 708 096.17	50	Expenditure for Phase 3 and Phase 4 road projects are still in progress, hence we disclosed capital commitments.
Social Services	2 080 009.20	-	2 080 009.20	11 185 000.00	3 916 297.00	1 836 287.80	47	Budget provision for Town Hall upgrade projeject did not start in the year under review.
Coporate Services	68 355.78	-	68 355.78	1 799 600.00	130 000.00	61 644.22	47	Acquisition of office furniture was less than originally anticipated.
TOTAL	27 397 079	4 814 903	32 211 982	86 987 030	62 888 682	30 676 700	35	